

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Highland Township	County Osceola
Audit Date 3/31/05	Opinion Date 6/8/05	Date Accountant Report Submitted to State: 9/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943 as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 9-1-05

HIGHLAND TOWNSHIP, OSCEOLA COUNTY

MARION, MICHIGAN

MARCH 31, 2005

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

MARCH 31, 2005

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DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Highland Township
Osceola County
Marion, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Township, Osceola County, Marion, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Township's Management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Township, Osceola County, Marion, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Highland Township, Osceola County, Marion, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Highland Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Highland Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$281,566. Of this amount, \$257,051 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$255,394 or 384.12% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Highland Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government and administration, public safety and other functions. The Township supports no business-type activities.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$281,566 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Highland Township
Net Assets as of March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 257,822
Non Current Assets	
Capital Assets	\$ 78,811
Less: Accumulated Depreciation	(54,296)
Total Non Current Assets	\$ 24,515
Total Assets	\$ 282,337
Liabilities	
Current Liabilities	\$ 771
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 24,515
Unrestricted	257,051
Total Net Assets	\$ 281,566
Total Liabilities and Net Assets	\$ 282,337

The most significant portions of the Township's Net Assets are unrestricted net assets.

At the end of the current fiscal year, the Township is able to report positive balance in net assets for the government as a whole.

The total net assets of the Township increased by \$54,156 or 23.81% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Highland Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	<u>Governmental</u> <u>Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 793
General Revenues	
Property Taxes and Assessments	30,431
State Shared Revenue	86,683
Unrestricted Investment Earnings	3,398
Other	<u>2,032</u>
Total Revenues	\$ <u>123,337</u>
<u>Expenses</u>	
Legislative	\$ 3,582
General Government, Administrative	46,019
Public Safety	12,787
Recreation and Cultural	905
Other Functions	<u>5,888</u>
Total Expenses	\$ <u>69,181</u>
Changes in Net Assets	54,156
NET ASSETS – Beginning of Year	<u>227,410</u>
NET ASSETS – End of Year	\$ <u><u>281,566</u></u>

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$54,156 or 23.81% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

The most significant part of the revenue for all governmental activities of Highland Township comes from property taxes. The Township levied an operating millage this fiscal year. As a result, current property tax revenue increased by \$1,374 or 7.69%. The Township levied 0.9218 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 66.52% of total expenses. The Township spent \$46,019 in fiscal year 2005 on general governmental expenses. Public Safety expenses represented the next largest expense at \$12,787 followed by Other Functions at \$5,888. These represent 18.48% and 8.51% respectively. Expenses for salaries represent a large portion of the general administrative expenses at \$22,690. Depreciation expense added another \$2,693.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Highland Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Highland Township's governmental funds reported combined ending fund balances of \$255,394. 100% of this total amount constitutes unreserved fund balance.

General Fund – The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund and the total fund balance was \$255,394. Unreserved fund balance represents 384.12% of total General Fund expenditures. All of the General Fund's functions ended the year with expenditures below budgeted amounts.

The fund balance of the Township's General Fund increased by \$57,088 during the current fiscal year. The major factor for the increase was due to the reduction of expenses.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2005 amounted to \$24,515 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was 9.90% entirely in the governmental activities.

Capital assets summarized below include any items purchased with a cost greater than \$2,000 individually for the General Fund. A summary of capital asset categories is illustrated below:

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Highland Township
Capital Assets as of March 31, 2005

		Governmental Activities
Land and Land Improvements	\$	1,759
Buildings		50,000
Building Improvements		5,495
Improvements Other than Building		9,884
Machinery and Equipment		11,673
	\$	78,811
Less Accumulated Depreciation		(54,296)
Net Capital Assets	\$	24,515

Long-Term Debt. As of March 31, 2005, the Township had no outstanding debt.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Highland Township at 21009 110th Avenue, Marion, MI 49665.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 255,865
Receivables	
Taxes	1,657
External Parties (Fiduciary Funds)	300
	<hr/>
Total Current Assets	257,822
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	1,759
Buildings	50,000
Building Improvements	5,495
Improvements Other Than Buildings	9,884
Machinery and Equipment	11,673
	<hr/>
	78,811
Less Accumulated Depreciation	(54,296)
Net Capital Assets	24,515
	<hr/>
TOTAL ASSETS	282,337
	<hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	771
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	24,515
Unrestricted	257,051
	<hr/>
Total Net Assets	281,566
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 282,337
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUES AND
				CHANGES IN
				NET ASSETS
TOTALS				
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Legislative	\$ 3,582	\$ 0	\$ 0	\$ (3,582)
General Government	46,019	213	0	(45,806)
Public Safety	12,787	580	0	(12,207)
Recreation and Cultural	905	0	0	(905)
Other Functions	5,888	0	0	(5,888)
Total Governmental Activities	\$ 69,181	\$ 793	\$ 0	\$ (68,388)

GENERAL REVENUES

Taxes	\$ 30,431
State Shared Revenue	86,683
Unrestricted Investment Earnings	3,398
Other	2,032
Total General Revenues	122,544
Change in Net Assets	54,156
<u>NET ASSETS</u> - Beginning of Year	227,410
<u>NET ASSETS</u> - End of Year	\$ 281,566

The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	\$ 255,865
Taxes Receivable	1,657
Due From Other Funds	300
TOTAL ASSETS	<u>\$ 257,822</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 771
Deferred Revenue	1,657
TOTAL LIABILITIES	<u>2,428</u>
 <u>FUND BALANCE</u>	
Unreserved	
Undesignated	<u>255,394</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 257,822</u>

The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$ 255,394
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	1,759	
Buildings	50,000	
Building Improvements	5,495	
Improvements Other Than Buildings	9,884	
Machinery and Equipment	11,673	
Accumulated Depreciation	<u>(54,296)</u>	24,515

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivables	<u>1,657</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 281,566</u></u>
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The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Taxes	\$ 30,670
Licenses and Permits	580
State Grants	86,683
Charges for Services	213
Interest and Rents	3,548
Other Revenues	<u>1,882</u>
Total Revenues	<u>123,576</u>
<u>EXPENDITURES</u>	
Legislative	3,582
General Government	43,326
Public Safety	12,787
Recreation and Cultural	905
Other Functions	<u>5,888</u>
Total Expenditures	<u>66,488</u>
Net Change in Fund Balance	57,088
<u>FUND BALANCE</u> - Beginning of Year	<u>198,306</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 255,394</u>

The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 57,088
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(2,693)
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using the modified accrual method	<u>(239)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 54,156</u></u>
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The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

	<u>ASSETS</u>	<u>AGENCY</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 551
	<u>LIABILITIES AND EQUITY</u>	
<u>LIABILITIES</u>		
Due to Other Funds		300
Due to Other Governments		251
		<u>551</u>
Total Liabilities		<u>551</u>
<u>NET ASSETS</u>		
Unrestricted		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Highland Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Highland Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally Highland Township reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- A. Bonds, securities, and other obligations of the United States or an agency or an instrumentality of the United States.
- B. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Highland Township Board at the Board's organizational meeting after each regular election of Township board members.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- C. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- D. Repurchase agreements consisting of instruments listed in (A).
- E. Banker's acceptances of the United States banks.
- F. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- G. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- H. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County, township operating and school taxes are levied and due December 1, and become delinquent after February 14. Collections of school, township operating and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Highland Township totaled \$22,638,168, on which ad valorem taxes levied consisted of 0.9218 mills for the Highland Township operating purposes. These levies raised approximately \$20,901 for operating purposes.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Public domain infrastructure	20
Vehicles	10
Equipment	5-10

Highland Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 23, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments – Credit Risk

The Township's deposits and investments are all on deposit with banks located in the State of Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2005, \$134,894 of the government's bank balance of \$264,286 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end all of the Township's investments were uncategorized as to risk.

At year-end, there were no assets that would qualify as investments.

Balance sheet classifications:

	Government Wide	Fiduciary	Total
Cash	\$ 255,865	\$ 551	\$ 256,416

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General
Receivables	
Taxes	\$ 1,657

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components to deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 1,657	\$ 0

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 1,759	\$ 0	\$ 0	\$ 1,759
Capital assets, being depreciated				
Buildings	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Building Improvements	5,495	0	0	5,495
Land Improvements	9,884	0	0	9,884
Machinery and equipment	11,673	0	0	11,673
Total capital assets, being depreciated	\$ 77,052	\$ 0	\$ 0	77,052
Less accumulated depreciation for:				
Buildings	\$ 39,500	\$ 1,000	\$ 0	\$ 40,500
Building Improvements	3,487	275	0	3,762
Land Improvements	709	621	0	1,330
Machinery and equipment	7,907	797	0	8,704
Total accumulated depreciation	\$ 51,603	\$ 2,693	\$ 0	\$ 54,296
Total capital assets, being depreciated, net	\$ 25,449	\$ (2,693)	\$ 0	\$ 22,756
Governmental activities capital assets, net	\$ 27,208	\$ (2,693)	\$ 0	\$ 24,515

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>2,693</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005 were:

	ADVANCES TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
General Fund	\$ 300	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	300
	\$ 300	\$ 300
Amount expected to be repaid within one year:	\$ 300	

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Long-Term Debt

There are no long-term debt transactions of Township of Highland for the year ended March 31, 2005.

F. Fire Protection Contract

The Township has a contract with the Marion Community Fire Department and paid \$11,319 for fire protection for the period March 1, 2004 to February 28, 2005.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including worker's compensation insurance and fidelity bonds.

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 21,000	\$ 21,000	\$ 30,670	\$ 9,670
Licenses and Permits	500	500	580	80
State Grants	70,000	70,000	86,683	16,683
Charges for Services	0	0	213	213
Interest and Rents	2,200	2,200	3,548	1,348
Other Revenues	1,450	1,450	1,882	432
Total Revenues	95,150	95,150	123,576	28,426
<u>EXPENDITURES</u>				
Legislative	4,000	4,000	3,582	418
General Government	59,950	59,950	43,326	16,624
Public Safety	15,000	15,000	12,787	2,213
Public Works	60,000	60,000	0	60,000
Recreation and Cultural	925	925	905	20
Other Functions	7,000	7,000	5,888	1,112
Contingency	76,000	76,000	0	76,000
Total Expenditures	222,875	222,875	66,488	156,387
Net Change in Fund Balance	(127,725)	(127,725)	57,088	184,813
<u>FUND BALANCE</u> - Beginning of Year	198,557	198,557	198,306	251
<u>FUND BALANCE</u> - End of Year	\$ 70,832	\$ 70,832	\$ 255,394	\$ 185,064

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 971
Money Market Account	54,894
Certificate of Deposit	200,000
Taxes Receivable	1,657
Due From Other Funds	300
	<hr/>
TOTAL ASSETS	<u><u>\$ 257,822</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 771
Deferred Revenue	1,657
	<hr/>
Total Liabilities	2,428

FUND BALANCE

Balance	
Unreserved	255,394
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 257,822</u></u>

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 21,000	\$ 30,670
Non-business Licenses and Permits	500	580
State Grants	70,000	86,683
Charges for Services	0	213
Interest and Rents	2,200	3,548
Other Revenues	1,450	1,882
	<hr/>	<hr/>
Total Revenues	95,150	123,576
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Legislative		
Township Board	4,000	3,582
General Government		
Supervisor	2,550	2,398
Election	5,500	3,937
Assessor	15,000	11,185
Clerk	11,000	8,348
Board of Review	1,500	1,472
Treasurer	11,000	10,024
Building and Grounds	5,400	3,552
Cemetery	8,000	2,410
Public Safety		
Fire Department	11,000	11,319
Planning and Zoning	4,000	1,468
Public Works	60,000	0
Recreation and Cultural	925	905
Other Functions	7,000	5,888
Contingency	76,000	0
	<hr/>	<hr/>
Total Expenditures	222,875	66,488
	<hr/>	<hr/>
Net Change in Fund Balance	(127,725)	57,088
<u>FUND BALANCE</u> - Beginning of Year	198,557	198,306
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 70,832	\$ 255,394
	<hr/>	<hr/>

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Taxes	\$ 19,244	
Property Tax Administration Fee	6,129	
Delinquent Property Tax and Interest	2,989	
Reimbursement for Summer Tax Collection	<u>2,308</u>	
Total Taxes		30,670

LICENSES AND PERMITS

Zoning Permits		580
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STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	82,571	
Telecommunications Right of Way Maintenance	<u>4,112</u>	
Total State Grants		86,683

CHARGES FOR SERVICES

Dog License Fees	26	
Other Charges	<u>187</u>	
Total Charges for Services		213

INTEREST AND RENTS

Interest Earnings	3,398	
Rents and Royalties	<u>150</u>	
Total Interest and Rents		3,548

OTHER REVENUES

Cemetery Lot Sales	800	
Miscellaneous	<u>1,082</u>	
Total Other Revenues		<u>1,882</u>

TOTAL REVENUES		<u>\$ 123,576</u>
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HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 895

Other Services and Charges

Printing and Publishing 283

Dues and Fees 541

Transportation 28

Supplies 25

Contracted Services 1,750

Miscellaneous 60

Total Legislative

3,582

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages 2,290

Supplies

Office Supplies 38

Other Services and Charges

Transportation 5

Conferences 65 2,398

Elections

Personal Services

Salaries and Wages 2,380

Supplies

Postage 83

Other Services and Charges

Printing and Publishing 361

Transportation 173

Contracted Services 940 3,937

Assessor

Supplies

Postage 352

Other Services and Charges

Printing and Publishing 1,767

Dues and Fees 495

Transportation 111

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Telephone	100	
Contracted Services	8,343	
Miscellaneous	17	11,185
Clerk		
Personal Services		
Salaries and Wages	7,000	
Salaries and Wages - Deputy	50	
Salaries and Wages - Per Diem	435	
Supplies		
Office Supplies	196	
Other Services and Charges		
Postage	72	
Telephone	42	
Transportation	388	
Conferences	135	
Miscellaneous	30	8,348
Board of Review		
Personal Services		
Salaries and Wages	1,395	
Other Services and Charges		
Printing and Publishing	77	1,472
Treasurer		
Personal Services		
Salaries and Wages	7,000	
Salaries and Wages - Deputy	50	
Salaries and Wages - Per Diem	120	
Supplies		
Office Supplies	108	
Other Services and Charges		
Printing and Publishing	707	
Postage	898	
Dues and Fees	315	
Telephone	38	
Transportation	437	
Conferences	210	
Repairs and Maintenance	65	
Miscellaneous	76	10,024

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Building and Grounds			
Personal Services			
Salaries and Wages	680		
Supplies			
Operating Supplies	62		
Other Services and Charges			
Public Utilities	2,263		
Contracted Services	376		
Miscellaneous	33		
Capital Outlay	138	3,552	
Cemetery			
Personal Services			
Salaries and Wages	1,775		
Supplies			
Operating Supplies	54		
Other Services and Charges			
Contracted Services	581	2,410	
Total General Government			43,326

PUBLIC SAFETY

Fire Department			
Other Services and Charges			
Aid to Other Governments		11,319	
Planning and Zoning			
Personal Services			
Salaries and Wages	1,280		
Supplies			
Postage	1		
Office Supplies	92		
Other Services and Charges			
Printing and Publishing	54		
Transportation	41	1,468	
Total Public Safety			12,787

RECREATION AND CULTURAL

Library			
Other Services and Charges			
Aid to Other Governments			905

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

OTHER FUNCTIONS

Insurance and Bonds		3,550	
Employee Benefits			
Medicare and Social Security	1,636		
Workers Compensation	<u>702</u>		
Total Employee Benefits		<u>2,338</u>	
Total Other Functions			<u>5,888</u>
TOTAL EXPENDITURES			<u><u>\$ 66,488</u></u>

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2005

	BALANCE				BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005	
<u>ASSETS</u>					
Cash					
Commercial Account	\$ 228	\$ 645,380	\$ 645,057	\$ 551	
TOTAL ASSETS	\$ 228	\$ 645,380	\$ 645,057	\$ 551	
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 28,376	\$ 28,076	\$ 300	
Due to Other Governments	228	617,004	616,981	251	
Total Liabilities	\$ 228	\$ 645,380	\$ 645,057	\$ 551	
<u>BALANCE</u>					
Balance					
Unreserved	0	0	0	0	
TOTAL LIABILITIES AND BALANCE	\$ 228	\$ 645,380	\$ 645,057	\$ 551	

HIGHLAND TOWNSHIP, OSCEOLA COUNTY
MARION, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County	\$	208,625	
County - State Education Tax		136,073	
Township		20,901	
Schools			
Marion Public Schools		104,925	
McBain Rural Agricultural School		77,896	
Intermediate School			
Wexford-Missaukee		<u>135,735</u>	684,155

TAXES COLLECTED

County		192,092	
County - State Education Tax		129,412	
Township		19,244	
Schools			
Marion Public Schools		93,076	
McBain Rural Agricultural School		74,474	
Intermediate School			
Wexford-Missaukee		<u>124,978</u>	<u>633,276</u>

TAXES RETURNED DELINQUENT

County		16,533	
County - State Education Tax		6,661	
Township		1,657	
Schools			
Marion Public Schools		11,849	
McBain Rural Agricultural School		3,422	
Intermediate School			
Wexford-Missaukee		<u>10,757</u>	<u>\$ 50,879</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Highland Township
Osceola County
Marion, Michigan

During the course of our audit of the financial statements of Highland Township for the year ended March 31, 2005, we noted the following:

Budgeting

The Township is doing an excellent job of complying with Public Act 621 "The Uniform Budgeting and Accounting Act." The Township incurred expenditures in excess of amounts appropriated in no categories.

Property Tax Administration Fee

As reported in Note IV.E of the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but had not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past. We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

The accounting records for the year ended March 31, 2005, were found to be in good order and in compliance with the State's uniform accounting system.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Highland Township
Osceola County
Marion, Michigan

In planning and performing our audit of the financial statements of Highland Township, Osceola County, Marion, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.